

**Public Companies (Terms of Issue of Debentures and Raising of Loans with Option to Convert such Debentures or Loans into Shares) Rules, 1977**

**1. Short title and Commencement :**

(1) These rules may be called the Public Companies (Terms of Issue of Debentures and Raising of Loans with Option to Convert such Debentures or Loans into Shares) Rules, 1977.

(2) They shall come into force on the date of their publication in the Official Gazette.

**2. Definitions**

In these rules, unless the context otherwise requires-

(a) 'Act' means the Companies Act, 1956 ;

(b) "public financial institution" means-

(i) any of the financial institutions specified in sub-section (1) of section 4A of the Act ;

(ii) any of the other institutions specified by the Central Government to be public financial institutions under sub-section (2) of the said section 4A.

**3. Particulars regarding the terms of issue of debentures or the terms of raising of loans by a public company :**

The terms of issue of debentures or the terms of raising of loans by a public company which include a term providing for an option to convert such debentures or loans or any part thereof into shares in the company or to subscribe for shares in the company shall not require the approval of the Central Government under clause (a) of the proviso to sub-section (3) of section 81 of the Act, if such terms conform to the following requirements, namely :-

(a) the debentures or loans may be issued or raised either through private subscription or through the issue of a prospectus to the public ;

(b) a public financial institution either underwrites or subscribes to or sanctions the whole or part of the issue of debentures or the raising of loans, as the case may be ;

(c) when and where necessary, the consent of the Central Government under the provisions of the Capital Issues (Control) Act, 1947 (20 of 1947), is obtained for the issue of shares consequent upon the conversion of debentures of loans into equity capital ;

(d) having regard to the financial position of the company the terms of issue of the debentures or the terms of the loans, as the case may be, the rate of interest payable on the debentures or loans, the capital of the company, its loans, liabilities, its reserves, its profits during the immediately preceding five years and the current market price of the shares of the company, as may be applicable, the financial institutions provide for the terms including the term providing for an option to convert such debentures or loans or any part thereof, into shares in

the company or to subscribe for shares therein, either at par or at a premium not exceeding twenty-five per cent of the face value of the shares.